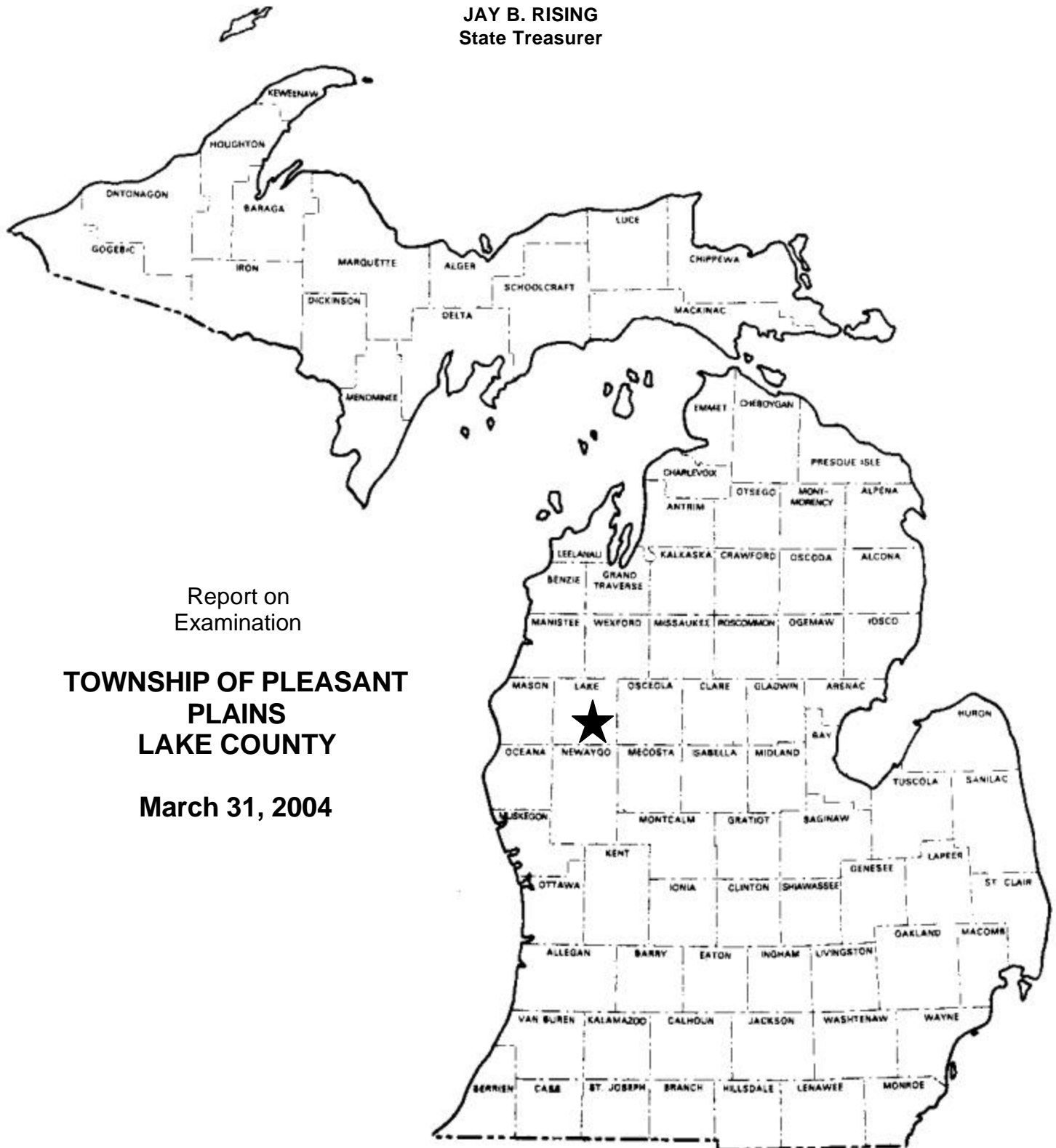


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Report on
Examination

**TOWNSHIP OF PLEASANT
PLAINS
LAKE COUNTY**

March 31, 2004

Local Audit and Finance Division
Bureau of Local Government Services

PLEASANT PLAINS TOWNSHIP
LAKE COUNTY

Supervisor
Howard Knapp

Tanya Lincomfelt
Clerk

Mary TenHave
Treasurer

Mary Lemm
Trustee

Kevin Thiel
Trustee

TOWNSHIP POPULATION--2000
879

STATE EQUALIZED VALUATION--2003
\$55,144,510



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

July 7, 2004

Township Board
Pleasant Plains Township
Lake County
P.O. Box 239
Baldwin, Michigan 49304

Independent Auditor's Report

Dear Board Members:

We have audited the general purpose financial statements of Pleasant Plains Township, Lake County, Michigan, as of and for the year ended March 31, 2004 as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note B, the Township has not maintained a record of its general fixed assets for the Library Fund and, accordingly, the statement of general fixed assets included in this report does not include all of the general fixed assets of the Township, as required by accounting principles generally accepted in the United States. Determination of the value of the Township Library's general fixed assets was not possible.

In our opinion, except that the omission of the fixed assets results in an incomplete presentation as explained in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Pleasant Plains Township and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued reports dated July 7, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

We conducted our audit for the purpose of forming an opinion on the general purpose financial statements, taken as a whole. The accompanying supporting schedules are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of Pleasant Plains Township. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY

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**PLEASANT PLAINS TOWNSHIP--LAKE COUNTY
COMBINED BALANCE SHEET--ALL FUND TYPES
March 31, 2004**

EXHIBIT A

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUPS	
	General Fund	Special Revenue	Trust and Agency	General Fixed Assets	Total (Memorandum Only)
<u>ASSETS</u>					
Cash	\$131,084	\$ 494,984	\$ 7,770		\$ 633,838
Investments	181,763	479,218	536,455		1,197,436
Receivables					
Delinquent Property Taxes Receivable	11,055	23,837			34,892
Special Assessments Receivable		61,579			61,579
Due From State	10,285				10,285
Due From Other Funds	49,596	87,595			137,191
Fixed Assets				\$ 425,136	425,136
Total Assets	<u>\$383,783</u>	<u>\$1,147,213</u>	<u>\$544,225</u>	<u>\$ 425,136</u>	<u>\$2,500,357</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts Payable	\$ 1,750	\$ 6,764			\$ 8,514
Accrued Wages Payable	-				-
Due to Other Funds	1,098	25,848	\$110,245		137,191
Due to County			154,508		154,508
Due to Village		146,994			146,994
Due to Schools			246,001		246,001
Total Liabilities	<u>2,848</u>	<u>179,606</u>	<u>510,754</u>	<u>\$ -</u>	<u>693,208</u>
Fund Equities					
Fund Balance					
Investment in General Fixed Assets				425,136	425,136
Reserve for Retirement Benefits			33,471		33,471
Unreserved	380,935	967,607			1,348,542
Total Fund Equity	<u>380,935</u>	<u>967,607</u>	<u>33,471</u>	<u>425,136</u>	<u>1,807,149</u>
Total Liabilities and Fund Equity	<u>\$383,783</u>	<u>\$1,147,213</u>	<u>\$544,225</u>	<u>\$ 425,136</u>	<u>\$2,500,357</u>

The Notes to Financial Statements are an integral part of this statement.

**PLEASANT PLAINS TOWNSHIP--LAKE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Fiscal Year Ended March 31, 2004**

EXHIBIT B

	General	Special Revenue	Total (Memorandum Only)
Revenues			
Taxes	\$ 66,235	\$ 135,678	\$ 201,913
Licenses and Permits	1,475		1,475
State Grants	70,372	6,390	76,762
Contributions From Local Units	11,060		
Charges for Services	9,308	3,239	12,547
Fines and Forfeits		56,038	56,038
Interest and Rents	14,556	8,203	22,759
Other	5,416	194,597	200,013
Total Revenues	178,422	404,145	571,507
Expenditures			
Legislative	11,127		11,127
General Government	105,584	14,213	119,797
Public Safety	13,693	189,846	203,539
Public Works		21,766	21,766
Health and Welfare		105,166	105,166
Recreation and Cultural		151,162	151,162
Other	11,623		11,623
Total Expenditures	142,027	482,153	624,180
Excess Revenues Over (Under) Expenditures	36,395	(78,008)	(52,673)
Fund Balance--April 1, 2003	344,540	1,045,615	1,390,155
Fund Balance--March 31, 2004	\$380,935	\$ 967,607	\$ 1,337,482

The Notes to Financial Statements are an integral part of the statement.

**PLEASANT PLAINS TOWNSHIP--LAKE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL
GENERAL FUND AND SPECIAL REVENUE FUNDS
For the Fiscal Year Ended March 31, 2004**

EXHIBIT C

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 73,800	\$ 66,235	\$ (7,565)	\$ 173,053	\$ 135,678	\$ (37,375)
Licenses and Permits	3,200	1,475	(1,725)			
State Grants	74,500	70,372	(4,128)	4,500	6,390	1,890
Contribution From Local Units	-	11,060	11,060			
Charges for Services	2,310	9,308	6,998	4,100	3,239	(861)
Fines and Forfeits				45,500	56,038	10,538
Interest and Rentals	10,300	14,556	4,256	39,515	8,203	(31,312)
Other Revenues	2,915	5,416	2,501	185,671	194,597	8,926
Total Revenue	167,025	178,422	11,397	452,339	404,145	(48,194)
Expenditures						
Legislative	22,975	11,127	11,848			
General Government	118,963	105,584	13,379	44,000	14,213	29,787
Public Safety	15,853	13,693	2,160	192,704	189,846	2,858
Public Works				41,900	21,766	20,134
Health and Welfare				97,580	105,166	(7,586)
Recreation and Cultural				131,850	151,162	(19,312)
Other	16,734	11,623	5,111			
Capital Outlay				35,800		35,800
Total Expenditures	174,525	142,027	32,498	543,834	482,153	61,681
Excess of Revenues Over (Under) Expenditures	(7,500)	36,395	43,895	(91,495)	(78,008)	13,487
Other Financing Sources (Uses)						
Operating Transfers (Out)			-	(19,840)		(19,840)
Total Other Financing Sources (Uses)	-	-	-	(19,840)	-	(19,840)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(7,500)	36,395	43,895	(111,335)	(78,008)	(6,353)
Fund Balance--April 1, 2003	7,879	344,540	336,661	123,250	1,045,615	922,365
Fund Balance--March 31, 2004	\$ 379	\$380,935	\$380,556	\$ 11,915	\$ 967,607	\$916,012

The Notes to Financial Statements are an integral part of this statement.

**PLEASANT PLAINS TOWNSHIP-- LAKE COUNTY
STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUND
For the Period Ended March 31, 2004**

EXHIBIT D

Additions

Contributions	
Employer Contributions	\$ 1,500
Investment Earnings	
Interest Earned on Guaranteed Accounts	427
Investment Gain From Pooled Funds	<u>760</u>
Net Investment Income	<u>1,187</u>
Total Additions	<u>2,687</u>

Deductions

Administration Fees	<u>438</u>
Total Deductions	<u>438</u>
Net Increase in Plan Assets	<u>2,249</u>
Net Assets Held in Trust for Pension Benefits	
Beginning of Year (May 15, 2003)	<u>31,222</u>
End of Year (March 31, 2004)	<u><u>\$33,471</u></u>

The Notes to Financial Statements are an integral part of this statement.

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--DESCRIPTION OF OPERATIONS AND FUND TYPES

Pleasant Plains Township is located in Lake County and provides services to its approximately 879 residents in many areas including community enrichment and development, and human services. Pleasant Plains Township is a general law township and operates under the direction of a five member elected township board.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," certain other governmental organizations are not considered to be part of the township entity for financial reporting purposes. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Educational services are provided through the local school districts, which are separate governmental entities and, therefore, are not presented in the financial statements of the township.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accounts of the township are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions except those provided for in another fund. Revenues are primarily derived from property taxes, State grants, and other intergovernmental revenues. The fund includes the general operating expenditures of the township.

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds

Special revenue funds are used to account for specific revenue (other than expendable trusts or major capital projects) derived from State and Federal grants, general fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

FIDUCIARY FUNDS

Trust and Agency Funds

Trust and agency funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. These funds include: Pension Trust Fund (trust fund) and Current Tax and Delinquent Tax Funds (agency funds).

ACCOUNT GROUP

General Fixed Asset Account Group

This account group is used to account for the township's fixed assets other than those accounted for in proprietary or trust funds. Public domain (infrastructure) general fixed assets, consisting of certain improvements other than buildings, are not capitalized. All assets except for the Library Fund's assets are included in the general fixed asset account group.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the Township of Pleasant Plains conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Governmental Funds

The governmental fund types (General and Special Revenue) use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable.

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency Fund

The agency fund is maintained on a cash basis, which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

Pension Trust Fund

The pension trust fund is accounted for on an accrual basis of accounting. Revenues and expenses are recorded when incurred.

Cash, Cash Equivalents and Investments

Investments for the Pension Fund are reported at fair market values as described in Note D. Demand deposits and short-term investments with maturity date of three months or less when acquired are considered to be cash equivalents.

Interest-Bearing Deposits

Interest-bearing deposits are recorded at cost. Interest earned is recorded as revenue when the investment matures, or when credited by the financial institutions to the interest-bearing account.

Property Taxes

It is the township's policy to recognize revenues in the current year when the proceeds are budgeted and made available for the financing of township operations. Payment from the county, which purchases the 2003 delinquent taxes, is recorded as a receivable and as revenue to the township.

The 2003 taxable valuation of Pleasant Plains Township amounted to \$44,865,492, on which ad valorem taxes of .9811 mill were levied for township operating purposes, 1.9624 mills for fire service, .9812 mill for library service, and .1226 mill for transportation. The 2003 current tax levied included \$44,018 for township operating purposes, \$88,044 for fire services, \$44,022 for library services and \$5,501 for transportation.

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Assessments

Special assessments resulted in revenue to the township for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Public Safety	\$ 66,310
Street Lights	19,101
Refuse	87,630
Roads	17,670

These taxes are recorded as revenue on township records in and for the fiscal year of 2004.

Delinquent Receivables

The delinquent property taxes receivable and delinquent special assessments receivable in the general and special revenue funds consist of uncollected real property taxes levied December 1, 2003, and property assessments which have not been collected at March 31, 2004. The delinquent receivables were paid by the county to the township in June 2004.

<u>Taxes Receivable</u>		<u>Special Assessments Receivable</u>	
<u>Fund</u>	<u>Amount</u>	<u>Fund</u>	<u>Amount</u>
General	\$ 11,055	Public Safety	\$ 21,655
Fire	15,257	Street Lights	8,035
Transportation	953	Refuse	28,650
Library	<u>7,627</u>	Roads	<u>3,239</u>
Total	<u>\$ 34,892</u>	Total	<u>\$ 61,579</u>

Fixed Assets

Fixed assets of all funds are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their market value as of the donation date. Tangible assets, having a useful life in excess of one year and whose costs exceed a specific amount, are capitalized. Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group and are recorded as an expenditure in the fund purchasing the asset. Public domain (infrastructure) general fixed assets, consisting of certain improvements other than buildings, are not capitalized. Fixed assets have not been recorded for the Library Fund.

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation of general fixed assets, which is not required by generally accepted accounting principles applicable to governmental units, is not provided.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Total Column on Combined Statements--Overview

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

NOTE C--LEGAL COMPLIANCE

Budgets are adopted by the township board for the general and special revenue funds. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. The township board monitors and amends the budgets as necessary. Unexpended appropriations lapse at year-end. However, the 2004 budgets adopted were not balanced.

The budgeted revenues and expenditures for governmental fund types, as presented in Exhibit C, include any authorized amendments to the original budget as adopted.

Excess of Expenditures Over Appropriations in Budgeted Funds

Public Act 2 of 1968, as amended, requires the legislative body to adopt a general appropriations act for the budget of the General Fund and each Special Revenue Fund. The act also requires that amendments be approved as needed to prevent actual expenditures from exceeding those provided for in the General Appropriations Act.

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--LEGAL COMPLIANCE (Continued)

The township's budget policy provides for the board to adopt and control the General Fund and Special Revenue Funds to the activity level. During the year ended March 31, 2004, expenditures were incurred in excess of amounts appropriated for the following funds and activities.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General			
General Government			
Assessor	\$ 22,971	\$ 22,972	\$ (1)
Other			
Zoning and Planning Board	-	2,340	(2,340)
Special Revenue			
Fire	84,194	87,049	(2,855)
Refuse	97,580	105,166	(7,586)

During the year ended March 31, 2004, budgets were not adopted for the following Special Revenue Fund:

Fund 273 CDBG Fund

Legal Noncompliance/Violations of Finance Related Provisions

1. Noncompliance with the budgeting act as required by PA 2 of 1968, as amended, (MCL 141.421 through MCL 141.440a); and
2. Failure to adopt an ACH policy in accordance with Public Act 738 of 2002 (MCL 124.303).

NOTE D--CASH AND INTEREST-BEARING DEPOSITS

Deposits are carried at cost. Deposits of the township are made in banks in the name of the Pleasant Plains Township Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States, in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The township's deposits are in accordance with statutory authority.

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH AND INTEREST-BEARING DEPOSITS (Continued)

Deposits are carried at cost. Deposits of the township are at five banks in the name of Pleasant Plains Township. Public Act 196 of 1997 requires a formal investment policy to be adopted by the board no later than December 1998. As of March 31, 2004, the board had adopted an investment policy.

The risk disclosures for the township's deposits, as required by the Governmental Accounting Standards Board (GASB) Statement No. 3, at March 31, 2004 are as follows:

<u>Deposits</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 467,114	\$ 467,114
Uninsured	<u>163,903</u>	<u>166,720</u>
Total Cash and Deposits	<u>\$ 631,017</u>	<u>\$ 633,834</u>

In accordance with GASB Statement No. 3, investments are classified into three categories of credit risk as follows:

<u>Investments</u>	<u>Market Amount</u>	<u>Carrying Amount</u>
Nonrisk-Categorized Investments		
Money Market Account	<u>\$ 1,201,362</u>	<u>\$ 1,163,965</u>
Total Nonrisk-Categorized Investments	<u>1,201,362</u>	<u>1,163,965</u>
Nonrisk-Categorized Investments		
Investments With Fiscal Agent (Pension Trust)		
Municipal Retirement System	<u>33,471</u>	<u>33,471</u>
Total Nonrisk-Categorized Investments With Fiscal Agent	<u>33,471</u>	<u>33,471</u>
Total Investments	<u>1,234,833</u>	<u>1,197,436</u>
Total Cash and Investments	<u>\$ 1,865,850</u>	<u>\$ 1,831,274</u>

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE E--INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 25,795	Current Tax Collection	\$ 108,458
Public Safety	14,180		
Fire	25,230		
Road	5,166		
Street Lights	4,557		
Refuse	19,430		
Transportation	1,567		
Library	12,533		
	<u>108,458</u>		
Subtotal			
General	1,749	Delinquent Tax	1,787
Road	38		
	<u>1,787</u>		
Subtotal			
Transportation	2,090	General	1,098
		Cemetery	496
		Library	496
			<u>2,090</u>
		Subtotal	
General	22,052	Refuse	22,120
Cemetery	68		
	<u>22,120</u>		
Subtotal			
Library	2,736	Budget Stabilization	2,736
	<u>2,736</u>		
Total	<u>\$ 137,191</u>	Total	<u>\$ 137,191</u>

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE E--FIXED ASSETS

A summary of changes in general fixed assets follows:

	Account Balances 04/01/2003	Additions	Deductions	Account Balances 03/31/2004
Fixed Asset Accounts				
Land	\$ 181,400		\$ 300	\$ 181,100
Buildings	133,100			133,100
Equipment	91,836			91,836
Vehicles	19,100			19,100
Total	<u>\$ 425,436</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 425,136</u>

NOTE G--EMPLOYEE PENSION PLAN

The township provides pension benefits for the township board through a defined contribution plan known as the Manulife Financial Defined Contribution Plan, administered by Manufacturers Life Insurance Company. The plan covers all employees except volunteer firemen and seasonal employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Vesting will be 100% after 6 months participation in the plan. The annuity formula or schedule is based upon a \$100 contribution per employee earning less than \$700 annually; \$200 for those earning \$700 or more but less than \$1,400; \$300 for those earning \$1,400 or more. Participants may make voluntary after-tax contributions, through payroll withholding, in amounts ranging from 1 to 10% of compensation. Currently, there are six active employees in the plan. The township contributed \$1,500 during the year.

A member may retire after reaching the age of 55 and accumulating 10 years of service. An employee may also retire after reaching the age of 65 with less than 10 years of service.

NOTE H--RISK MANAGEMENT

Pleasant Plains Township is exposed to various risks of loss related to property loss, torts, and errors and omissions and employees injuries (workers compensation). The township participates in the Michigan Townships' Participating Plan for the following various policies: general liability, property, vehicle and fire. The township has insurance with the Accident Fund Company for workmens' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY
STATEMENT OF REVENUES
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended March 31, 2004

EXHIBIT E

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes			
Current Property Taxes	\$ 38,600	\$ 40,800	\$ 2,200
Personal Property Taxes	1,500	-	(1,500)
Delinquent Property Taxes	2,156	11,055	8,899
Delinquent Personal Property Taxes	650	2,013	1,363
Commercial Forest Tax	4,865	1,562	(3,303)
Redemptions/Reconveyences	400	-	(400)
Tax Reversed Land	1,800	-	(1,800)
Payment in-Lieu-of Taxes	3,400	260	(3,140)
Penalties/Interest	800	-	(800)
Administration Fees	19,629	10,545	(9,084)
Total Taxes and Penalties	73,800	66,235	(7,565)
Licenses and Permits			
Business Permits	1,500		(1,500)
Land Use Permits	1,700	1,475	(225)
Total Licenses and Permits	3,200	1,475	(1,725)
State Grants			
State Revenue Sharing	74,500	70,372	(4,128)
Total State Grants	74,500	70,372	(4,128)
Contributions From Local Units			
DNR Land Sales	-	11,060	11,060
Total Contributions From Local Units	-	11,060	11,060
Charges For Services			
Zoning Board of Appeals Fees	350	335	(15)
Sales	1,600	35	(1,565)
Zoning Fees	240	370	130
Summer Tax Collection		8,568	8,568
Other Charges for Services	120	-	(120)
Total Charges for Services	2,310	9,308	6,998
Interest and Rents			
Interest Earned	10,000	14,556	4,556
Rent	300	-	(300)
Total Interest and Rents	10,300	14,556	4,256
Other Revenues			
Sale of Fixed Assets	765	5,250	4,485
Reimbursements	1,800	166	(1,634)
Refunds and Rebates	250	-	(250)
Cash Over and Short	100	-	(100)
Total Other Revenues	2,915	5,416	2,501
Total Revenues	\$ 167,025	\$ 178,422	\$ 11,397

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended March 31, 2004

EXHIBIT F

	Budget	Actual	Variance Favorable (Unfavorable)
Legislative Township	\$ 22,975	\$ 11,127	\$ 11,848
Total Legislative	22,975	11,127	11,848
General Government			
Supervisor	18,350	18,095	255
Elections	3,200	2,481	719
Assessor	22,971	22,972	(1)
Attorney	10,718	10,036	682
Tax Tribunal Attorney	1,600	-	1,600
Clerk	15,400	11,703	3,697
Board of Review	2,350	1,161	1,189
Treasurer	21,774	21,772	2
Data Processing	3,600	1,401	2,199
Building and Grounds	19,000	15,963	3,037
Total General Government	118,963	105,584	13,379
Public Safety			
Zoning and Planning Board	6,100	3,998	2,102
Zoning Administration	8,703	8,693	10
Zoning Board of Appeals	1,050	1,002	48
Total Public Safety	15,853	13,693	2,160
Other			
Insurance and Bonds	11,750	9,283	2,467
Pension	-	2,340	(2,340)
Grant Match	4,984		4,984
Total Other	16,734	11,623	5,111
Total Expenditures	\$174,525	\$142,027	\$ 32,498

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 March 31, 2004

EXHIBIT G

	Public Safety	Fire	Cemetery	Roads and Bridges	Street Lights	Refuse	Budget Stabilization	Disaster	Transportation	Library	CDBG	Total
<u>ASSETS</u>												
Cash and Cash Equivalents	\$ 42,646	\$ 13,527	\$ 94,340	\$37,375	\$ (1,913)	\$211,163		\$ 102	\$4,803	\$ 92,583	\$ 358	\$ 494,984
Investments	34,099	92,980	155,239	(2,010)	24,858	92,376	\$ 19,254			62,422		479,218
Receivables												
Personal Property Taxes		15,257	-						953	7,627		23,837
Special Assessments	21,655			3,239	8,035	28,650						61,579
Due From Other Funds	14,180	25,230	68	5,204	4,557	19,430			3,657	15,269		87,595
Total Assets	\$112,580	\$146,994	\$249,647	\$43,808	\$35,537	\$351,619	\$ 19,254	\$ 102	\$9,413	\$177,901	\$ 358	\$1,147,213
<u>LIABILITIES AND FUND EQUITY</u>												
Liabilities												
Accounts Payable										\$ 6,764		\$ 6,764
Due to Other Funds			\$ 496			\$ 22,120	\$ 2,736			496		25,848
Due to Village		\$146,994										146,994
Total Liabilities	\$ -	146,994	496	\$ -	\$ -	22,120	2,736	\$ -	\$ -	7,260	\$ -	179,606
Fund Balances												
Unreserved	112,580		249,151	43,808	35,537	329,499	16,518	102	9,413	170,641	358	967,607
Total Liabilities and Fund Balance	\$112,580	\$146,994	\$249,647	\$43,808	\$35,537	\$351,619	\$ 19,254	\$ 102	\$9,413	\$177,901	\$ 358	\$1,147,213

**PLEASANT PLAINS TOWNSHIP--LAKE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--SPECIAL REVENUE FUNDS
For the Fiscal Year Ended March 31, 2004**

EXHIBIT H

	Public Safety	Fire	Cemetery	Roads and Bridges	Street Lights	Refuse	Budget Stabilization	Disaster	Transportation	Library	CDBG	Total
Revenues												
Taxes		\$86,887							\$ 5,430	\$ 43,361		\$ 135,678
State Grants										6,390		6,390
Charges for Services			\$ 600	\$ 878						1,761		3,239
Fines and Forfeits										56,038		56,038
Interest and Rents	\$ 1,024	162	1,494	106		\$ 2,993	\$ 141		20	2,263		8,203
Other Revenue	66,538			17,443	\$19,092	87,480				4,044		194,597
Total Revenues	67,562	87,049	2,094	18,427	19,092	90,473	141	\$ -	5,450	113,857	\$ -	404,145
Expenditures												
General Government			14,213									14,213
Public Safety	102,797	87,049										189,846
Public Works				6,617	11,487				3,662			21,766
Health and Welfare						105,166						105,166
Recreation and Culture										151,162		151,162
Total Expenditures	102,797	87,049	14,213	6,617	11,487	105,166	-	-	3,662	151,162	-	482,153
Excess of Revenues Over (Under) Expenditures	(35,235)	-	(12,119)	11,810	7,605	(14,693)	141	-	1,788	(37,305)	-	(78,008)
Fund Balance--April 1, 2003	147,815	-	261,270	31,998	27,932	344,192	16,377	102	7,625	207,946	358	1,045,615
Fund Balance--March 31, 2004	\$ 112,580	\$ -	\$ 249,151	\$43,808	\$35,537	\$ 329,499	\$16,518	\$102	\$ 9,413	\$170,641	\$358	\$ 967,607

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY
COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS
March 31, 2004

EXHIBIT I

	<u>AGENCY FUNDS</u>		<u>TRUST FUND</u>	
	Delinquent Tax	Current Tax Collection	Pension Trust Fund	Total
<u>ASSETS</u>				
Cash	\$ 7,770			\$ 7,770
Investments		\$502,984	\$ 33,471	536,455
Total Assets	<u>\$ 7,770</u>	<u>\$ -</u>	<u>\$ 33,471</u>	<u>\$ 544,225</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Due to Other Funds	\$ 1,787	\$108,458		\$ 110,245
Due to County	2,809	151,699		154,508
Due to Schools	3,174	242,827		246,001
Total Liabilities	<u>7,770</u>	<u>502,984</u>	<u>\$ -</u>	<u>510,754</u>
Fund Balance				
Reserve for Retirement Benefits			33,471	33,471
Total Fund Equity	<u>-</u>	<u>-</u>	<u>33,471</u>	<u>33,471</u>
Total Liabilities and Fund Equity	<u>\$ 7,770</u>	<u>\$502,984</u>	<u>\$ 33,471</u>	<u>\$ 544,225</u>

**PLEASANT PLAINS TOWNSHIP--LAKE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES--ALL AGENCY FUNDS
For the Year Ended March 31, 2004**

EXHIBIT J

	Balance 04/01/2003	Additions	Deductions	Balance 03/31/2004
<u>DELINQUENT TAX FUND</u>				
Assets				
Cash	\$ 964	\$ 8,598	\$ 1,792	\$ 7,770
Total Assets	\$ 964	\$ 8,598	\$ 1,792	\$ 7,770
Liabilities				
Due to Other Funds	\$ 321	\$ 2,164	\$ 698	\$ 1,787
Due to County	269	3,002	462	2,809
Due to Schools	374	3,432	632	3,174
Total Liabilities	\$ 964	\$ 8,598	\$ 1,792	\$ 7,770
<u>TAX COLLECTION FUND</u>				
Assets				
Cash and Investments	\$ 2,911	\$ 1,582,370	\$ 1,082,297	\$ 502,984
Total Assets	\$ 2,911	\$ 1,582,370	\$ 1,082,297	\$ 502,984
Liabilities				
Due to Other Funds	\$ 2,911	\$ 302,429	\$ 196,882	\$ 108,458
Due to County		600,799	449,100	151,699
Due to Schools		677,427	434,600	242,827
Tax Overpayments		1,715	1,715	-
Total Liabilities	\$ 2,911	\$ 1,582,370	\$ 1,082,297	\$ 502,984



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

July 7, 2004

Township Board
Pleasant Plains Township
Lake County
P.O. Box 239
Baldwin, Michigan 49304

RE: Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Township Board:

We have audited the financial statements of Pleasant Plains Township as of and for the year ended March 31, 2004, and have issued our report thereon dated July 7, 2004. As described more fully in Note B, the Township has not maintained a record of its general fixed assets in the Library Fund. Accordingly, the statement of general fixed assets included in this report does not include all of the general fixed assets of the Township, as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether Pleasant Plains Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We noted certain immaterial instances of noncompliance, which we have reported to management in the attached comments and recommendations report.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Pleasant Plains Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention

relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that all of the reportable conditions described above are material weaknesses.

This report is intended solely for the information of management, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY

COMMENTS AND RECOMMENDATIONS

REPORTABLE CONDITIONS

Although the following are not considered material weaknesses in internal controls, our audit disclosed certain other reportable conditions which we wish to point out for consideration by the management of Pleasant Plains Township.

General Ledger

Condition: The township did not maintain a complete and accurate general ledger as two of the township's funds did not balance and the amounts posted were not reconciled to subsidiary records.

Criteria: The general ledger is the gathering place for all local unit financial data. Properly maintained, it is a valuable tool of management. The general ledger is the single location in which all funds and accounts of the township are maintained. Entries in the general ledger are made only from: (1) the receipts register; (2) disbursements register; and (3) the journal entries.

Cause and Effect: Failure to post complete accounting records on a timely basis may result in the following:

1. The financial condition of the township may not be readily determined.
2. The board may not be able to make sound business decisions because it has no financial data on which to make an evaluation.
3. The board may obligate more funds than are available, which is a violation of the Uniform Budgeting and Accounting Act.

Recommendation: We recommend that the township clerk establish monthly procedures to assure that all transactions are posted properly to a general ledger and receipts register; and that the general ledger is in balance with the respective subsidiary accounts. For help in properly recording all transactions occurring in the township, the clerk can refer to the Uniform Accounting Procedures Manual issued by the Michigan Department of Treasury.

Treasurer--Common Account Bank Reconciliation

Condition: The township treasurer is not performing bank reconciliations and the cash in the general ledger is not reconciled to the cash in the bank accounts for all funds.

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY

COMMENTS AND RECOMMENDATIONS

REPORTABLE CONDITIONS (Continued)

Criteria: The Standards of Internal Control for the Federal Government (which is a good general standard for all types of municipalities) states that reconciliations must be performed as part of internal controls. This is further enhanced by the Uniform Accounting Procedures Manual which states that “all bank accounts must be reconciled to the local unit accounting records monthly and should then be reviewed by the appropriate supervisory personnel.” A reconciliation sheet should be prepared in duplicate for each month with one copy for the clerk and one copy for the treasurer. The clerk’s records must agree with or reconcile to the treasurer’s and the bank’s records.

Recommendation: We recommend that all bank accounts be reconciled on a timely basis with the accounting records and that all bank accounts be recorded in the accounting records. The clerk and the treasurer should then compare the balances of the general ledger cash balances to the bank reconciliations. The activity in the bank should tie back to the general ledger and provide a means to correct errors in posting.

Township Board--General Fixed Assets--Library

Condition: The township does not maintain adequate internal controls for the Library's fixed assets and the general fixed asset account group is not maintained in accordance with generally accepted accounting principles.

Criteria: It is the responsibility of the township to update the fixed assets for additions and deletions. The township did not provide us with any records of fixed assets owned by the township.

Recommendation: We recommend that the township develop a property management system for the library that includes all of the following:

- 1) An inventory of all fixed assets owned by the township should be taken and included in the permanent records of the township on at least an annual basis.
- 2) All assets owned by the township should be permanently labeled in some manner such as individual tags. This will not only facilitate the inventory suggested above, but will also make it more difficult for assets of the township to be removed or used by unauthorized personnel.

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY

COMMENTS AND RECOMMENDATIONS

REPORTABLE CONDITIONS (Continued)

- 3) As part of the property management system, the township should keep records on all of the assets owned by the township, which includes the following information:

- Date of Acquisition
- Tag Number
- Description of Property
- Original Cost of Asset
- Location of Asset
- Date of Disposal (when sold or scrapped)
- Salvage Value (if any)

Developing a property management system that includes the above steps will not only facilitate the preparation of financial statements related to fixed assets and provide a system of protection for the assets; it will also provide an excellent record for insurance and replacement purposes as well. GASB Statement No. 34 requires fixed assets (capital assets) to be included in the financial statements of the township.

Treasurer, Clerk--Accruals

Condition: Accruals (accounts receivable), the recording of the revenues in the accounting period to which they relate, were not recorded for the governmental funds. Accruals (accounts payable) were prepared, but not recorded for the governmental funds.

Criteria: Governmental funds are to be maintained on a modified accrual basis. Generally accepted accounting principles also require that accounts receivable and accounts payable be established to properly match the fiscal year's revenues and expenses.

Recommendation: We recommend that the township record accruals. The accruals should be reconciled to subsidiary records to support the balances in the respective accounts.

NONCOMPLIANCE WITH STATUTES AND REGULATIONS

Treasurer--Failure to Distribute Taxes in a Timely Manner

Condition: We found that taxes collected were not distributed to other units in a timely manner. At March 31, 2004, there was a balance of \$502,984 of undistributed collections.

Criteria: MCL 211.43 states that taxes collected shall be distributed within 10 business days after the first and fifteenth day of each month.

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY

COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATUTES AND REGULATIONS (Continued)

Directive: We direct that all taxes be distributed as stipulated by law. Doing so would also eliminate the need to pay the first installment of the fire contract directly from the tax account rather than from the Fire Fund as it should be.

Excess Expenditures Over Appropriations

Condition: Our examination of procedures used by the township to adopt and maintain operating budgets for the township's budgetary funds, revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The township's General Appropriations Act (budget) provided for expenditures of the General Fund and Special Revenue Funds to be controlled to the activity level by the township. As detailed below, actual 2003-2004 expenditures exceeded the board's approved budget allocations for several General Fund and Special Revenue Fund activities.

During the fiscal year ended March 31, 2004, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund and Special Revenue Funds as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General			
General Government			
Assessor	\$ 22,971	\$ 22,972	\$ (1)
Other			
Zoning and Planning Board		2,340	(2,340)
Special Revenue			
Fire	84,194	87,049	(2,855)
Refuse	97,580	105,166	(7,586)

During the year ended March 31, 2004, budgets were not adopted for the following Special Revenue Fund:

Fund 273 CDBG Fund

Criteria: The expenditure of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968. A budget must be adopted for the General Fund and each Special Revenue Fund.

Directive: We direct that the township develop budgetary control procedures for the General Fund and Special Revenue Funds which will ensure that expenditures will not exceed amounts authorized in the General Appropriations Act or amendments thereof. We also recommend that budgets be adopted for all Special Revenue Funds.

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY

COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATUTES AND REGULATIONS (Continued)

Township Board--Preparation of Budget

Condition: The township prepared its annual budget for Special Revenue Funds based on the estimated revenues and expenditures for the current year. All of the budgets adopted were also unbalanced budgets.

Criteria: MCL 141.435 states that the proposed budget is to be a balanced budget and must contain actual revenue and expenditure data for the most recently completed fiscal year as well as the estimated revenues and expenditures for the current year and previous two fiscal years. MCL 141.436 further states that total estimated expenditures are not to exceed total estimated revenues.

Directive: We direct that the township include the revenue and expenditure data for the most recently completed fiscal year to be in compliance with the State statute and that total estimated expenditures not exceed estimated revenues without due reason and proper disclosure for that reason.

CDBG Fund

Condition: The township currently has a Special Revenue Fund called the CDBG Fund numbered as Fund 273. This fund no longer has a purpose for the township and the only activity of the fund is the interest earned from the savings account and certificate of deposit.

Criteria: According to the National Council of Governmental Accounting (NCGA), governmental units should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established, because unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

Recommendation: We recommend that the township close out this fund and transfer the remaining cash balance to the General Fund.

Township Board--Electronic Transactions of Public Funds

Condition: Pleasant Plains Township electronically transfers funds for payroll withholdings without legal authority.

Criteria: According to MCL 124.303:

“A local unit shall not be a party to an ACH arrangement unless the governing body of the local unit has adopted a resolution to authorize electronic transactions and the treasurer or the ETO of the local unit has presented a written ACH policy to the governing body. The ACH policy shall include all of the following:

PLEASANT PLAINS TOWNSHIP--LAKE COUNTY

COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATUTES AND REGULATIONS (Continued)

Criteria (Continued)

- (a) That an officer or employee designated by the treasurer or ETO is responsible for the local unit's ACH agreements, including payment approval, accounting, reporting, and generally for overseeing compliance with the ACH policy.
- (b) That the officer or employee responsible for disbursement of funds shall submit to the local unit documentation detailing the goods or services purchased, the cost of the goods or services, the date of the payment, and the department levels serviced by payment. This report can be contained in the electronic general ledger software system of the local unit or in a separate report to the governing body of the local unit.
- (c) A system of internal accounting controls to monitor the use of ACH transactions made by the local unit.
- (d) The approval of ACH invoices before payment.
- (e) Any other matters the treasurer or ETO considers necessary”

Directive: We direct the township board to adopt a resolution to authorize electronic transactions and to adopt a policy that includes the above mentioned items.